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ABSTRACT

The New York State Education Commission proposals that are being considered by the 1972 legislature represent comprehensive sweeping changes in that State's existing education finance system. The ways in which traditional and emerging political forces affect the success and/or failure of those recommendations and the implications for revising State systems of school finance generally are the subjects of this analysis. (Author)

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THE POLITICAL REALITIES OF REVISING STATE EDUCATION FINANCE SYSTEMS

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It is generally agreed that a revolution in educational finance is imminent. Two sets of forces justify this conclusion. First, the recognition that there are substantial inequities in the burden of taxation among districts, carefully documented by a number of social scientists since the sixties, has made its way to the courts. In the first decision, Cerrano vs. Priest, the California Supreme court found that the state system of educational finance was unconstitutional because it made "...the quality of a child's education a function of the wealth of his parents and neighbors." Support for change has also come from taxpayers, particularly those in suburban areas, distressed over the growing burden of property taxation, the prime source of revenue for education in those areas.

The major response to these pressures has been recommendations for full state assumption of local education costs. The political debate has until now centered around the concept of full state assumption. The line-up for and against full state assumption has been almost predictable to those familiar with the educational politics literature.

The central hypothesis of this paper is that the debate over the concept of full state assumption is only indirectly related to the struggles that will take place over the next decade in school finance. The politics of school finance in the seventies will center on specific plans for state assumption and it is the content of these plans not the general concept of full state assumption that will provide the focus for the debate.

Two separate problems face those responsible for the design of state assumption programs. The first issue is how the program will be financed. Both the source of the revenues and the time scheme for transferring costs provide significant challenges to program designers. Each of these decisions will determine the breath and depth of political support for the total proposal.

Conflict about these issues will be most easily avoided in those states which are able to transfer local costs to broad based, progressive income taxes over relatively short periods of time. This will not be possible for most states. Professor John Callahan in a paper prepared for the recent ASPA meetings suggested that states such as Delaware, Idaho, Montana, Vermont and Wyoming have overall tax rates above the nation average and will face considerable effort problems with state assumption. Another set of states, Maryland, Massachusetts and Michigan will have both budgetary and effort problems with state assumption. While California and New York would have considerable budget problems they have sufficient wealth to bear these problems. On the other hand their overall taxes are considerably higher than the nation as a whole.

At the other end of the spectrum, there are higher income states that will have effort problems after state assumption but which are in a low overall effort category--Connecticut, Ohio and Texas fit into this pattern. Then there are low income, moderate tax effort states which will have relatively minor budgetary and effort problems with state assumption. These states include Alabama, Kentucky, Louisiana and North Carolina. *

John Callahan, "State Assumption of Educational Finances: Interstate and Intrastate Problems," paper presented at the annual convention of the American Society for Public Administration, N. Y., N. Y. March 22, 1972, pp. 8-10.

All this type of fiscal analysis tells us is that the capacity to absorb costs is present in some states but not in others. What we cannot measure is public willingness in any of these states to absorb such costs.

It has also been suggested that transferring local costs might be less painful if a state-wide property tax is imposed to pick up existing local costs. However, when New York State's Fleishman Commission suggested a rate at a level sufficient to produce an amount approximately equivalent to current total local contributions, every large city and many rural school districts would have been required to raise their property tax rates.

Looking at the cities of the 37 largest metropolitan areas, Joel Berke and John Callahan confirmed this pattern. They found that in three fourths of the cities in these large metropolitan areas, taxes would rise, and of the six exceptions, three were located in a single state, Ohio and in a fourth the tax rates would remain virtually the same.

Joel S. Berke and John Callahan, "Inequities in School Finance: Implications of the School Finance Cases and Proposed Federal Revenue Sharing Programs", Paper presented at the 1971 annual convention of the American Academy for the Advancement of Science, December 26, 1971, p. 27.

The political implications of this finding are clear. It would be foolhardy to expect large cities to support plans in their state legislatures that require such local tax increases.

The expenditure issues are just as difficult. Equalization is an expensive and complicated process. New York's Fleishman Commission proposed as a first step that expenditures of all districts be brought up to the level of the district spending at the 65th percentile in a ranking of districts according to their base expenditures.

Base expenditures are defined as total general fund expenses (not including federal aid) per enrolled pupil minus the following: debt service, transportation, lunch, tutition, BOCES operation and urban aid. Report of the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, New York, New York; January 30, 1972, p. 2.14.

Districts above the 65th percentile were frozen at their current expenditure levels in that plan. In addition, a special weighting of 1.5 for students in approximately the lowest quarter of the State's third grade reading and matematics achievement tests were provided to give additional funds to school districts with high proportions of disadvantaged children.

Each of these proposals--equalization, freezing high spending districts and special aid to the disadvantaged were received with predictable skepticism.

The "light house schools" reacted in anguish over what they perceived as a state mandated cut in their expenditures. H. Thomas James has observed that these are schools "...usually located in suburban districts with high per pupil property values--which have enough money to invest in exemplary programs. It is thought

--though the evidence is not abundant--that successful innovations pioneered in these schools are adopted by other school districts in the state, resulting in qualitative improvements in the school system as a whole. But if distributions are equalized, it is said, wealthy districts will lose this 'innovative surplus', and the state will lose its lighthouse districts."

H. Thomas James, "A Remedy for Ailing School Finance Systems," (mimeo) to be published in Theory into Practice, June 1972, p. 2.

Despite the concerns of lighthouse schools the political tradeoff is evident. The combination of equalization and aid to the disadvantaged in New York, at least on the expenditure side of the Fleishman proposal, put together a coalition of city, poor suburb and rural school districts.

However, other methods of equalizing expenditures would produce a different coalition. If an equal state-wide pupil distribution formula is used an adverse effect on cities would be the result. The Berke-Callahan study referred to earlier found that twice as many central cities would receive lower expenditures if such a plan was used than they would under their existing state revenue structures. Obviously what is happening under such a proposal is a redistribution of educational resources from large cities to other parts of their respective states.

The criticisms of special aid for the disadvantaged are less severe. However, there is a concern from cities, familiar with state legislative politics, that if the new programs simply "tack on" such proposals rural and suburban legislators will find it easy to take them right off.